

**IRELL & MANELLA LLP**

A REGISTERED LIMITED LIABILITY LAW PARTNERSHIP  
INCLUDING PROFESSIONAL CORPORATIONS

333 SOUTH HOPE STREET, SUITE 3300  
LOS ANGELES, CALIFORNIA 90071-3042  
TELEPHONE (213) 620-1666  
FACSIMILE (213) 229-0515

1800 AVENUE OF THE STARS, SUITE 900  
LOS ANGELES, CALIFORNIA 90067-4276  
TELEPHONE (310) 277-1010  
CABLE ADDRESS: IRELLA LSA  
FACSIMILE (310) 203-7199

840 NEWPORT CENTER DRIVE, SUITE 500  
NEWPORT BEACH, CALIFORNIA 92660-6324  
TELEPHONE (714) 760-0991  
FACSIMILE (714) 760-5200

WRITER'S DIRECT DIAL NUMBER

July 23, 1997

Board of Directors  
California State Coastal Conservancy  
c/o Peter H. Kaufman  
Supervising Deputy Attorney General  
State of California  
Department of Justice  
110 West A Street  
Suite 1100  
Post Office Box 85266  
San Diego, California 92101

Via Fax (619) 645-2012

Re: Mancuso v. California State Coastal Conservancy  
Los Angeles Superior Court Case No. BS 040197

Dear Boardmembers:

The parties have worked long and hard to negotiate an equitable and feasible settlement structure which if implemented will improve coastal access in the Malibu area. This process has produced agreement on the following critical terms requested by the Conservancy:

1. The owners have agreed in principle to contribute \$978,000, which is the amount that Conservancy staff determined was necessary (in combination with other funds which are or will be available) to fund coastal access programs the Conservancy wishes to pursue;

2. While our negotiations have always been premised on the well-acknowledged physical and practical deficiencies of the easements, the Conservancy will not be required to go forward unless it independently determines that the benefits of public use of the easement are outweighed by the cost of constructing and maintaining necessary improvements and mitigating potential impacts as required by state law;

3. The owners will provide mutually agreeable security for the performance of their obligations in accordance with our discussion Wednesday with Peter Kaufman, and will cooperate in the implementation of the settlement agreement; and



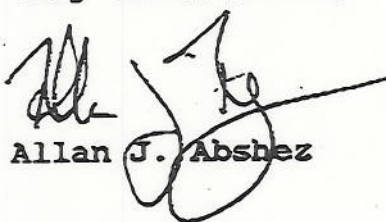
4. The Coastal Commission and the State of California Department of General Services must concur in the reconveyance before it occurs.

Apparently, only one substantive issue remains. Our position is that the Conservancy must close no later than December 31, 1998 or the settlement agreement would be deemed automatically terminated (without the fault of any party). The December 31, 1998 time frame provides about a year-and-a-half for the Conservancy to determine, in consultation with the Coastal Commission, the many beneficial uses for the funds to be received. How, when and where, the Conservancy chooses to use the funds is a matter for the agencies to determine; the owners should have no role or responsibility in such matters.

Given the many, many years of study, negotiations and discussions that have already occurred, the additional year-and-a-half period is more than a reasonable time frame for accomplishing this task. By contrast, the owners cannot commit to an open-ended agreement where they would have obligations other than to fund the agreed-upon amount (and cooperate in processing), or where the reconveyance would be delayed until the Conservancy actually completes the use of the funds received.

We hope you will agree that our offer is reasonable, and that the settlement contemplated will be a productive and important step towards improving coastal access in the Malibu area. We respectfully request that you authorize your counsel and acting-Executive Director to finalize and execute a settlement agreement consistent with the foregoing principles. This letter is a confidential offer of compromise inadmissible pursuant to Evidence Code Section 1152.

Very truly yours,



Allan J. Abshez

cc: Jonathan Horne, Esq.